

ANNUAL REPORT 1972



NORTHERN AND CENTRAL GAS CORPORATION LIMITED

Since commencing operations in 1957, Northern and Central Gas Corporation Limited has evolved from a regional gas distributor into a diversified energy company with major interests across Canada, in the United States and overseas.

Involved in this process has been a broad expansion of gas distribution facilities, coupled with a major diversification into the areas of fossil fuel exploration, production and distribution.

Illustrative of the extent of this diversification, is the fact that today, close to half of Northern and Central's income is generated by non-regulated operations, including income from oil and gas producing wells, revenues from liquefied petroleum gas sales, royalties from Athabasca tar sands production, tariffs from oil transmission, and income from the sale of coal to Japan.

Northern and Central's interests encompass drilling programs in the Canadian Arctic, off-shore the east coast of Canada, the North Sea, the Adriatic and North Africa.

In sum, Northern and Central in the '70's means the enterprising pursuit, development and marketing of energy resources throughout Canada and in a world wide energy market.



▲ More than 105 million bushels of grain are stored in Thunder Bay, Canada's largest grain storage centre. Large quantities of natural gas are required for grain drying, essential before transshipment.

▼ Northern and Central has an important interest in oil and gas exploration and development through Canadian Industrial Gas & Oil Ltd.



Results in brief

	1972	1971
Sales and other revenues	\$221,038,000	\$204,010,000
Consolidated net income	\$ 17,639,000	\$ 15,858,000
Net income applicable to common shares	\$ 14,035,000	\$ 13,229,000
Common shares outstanding (i)	13,410,395	13,309,931
Basic earnings per common share	\$ 1.04	\$ 0.99
Dividends paid per common share	60¢	60¢
Utility gas sales (MMCF)	208,264	195,653
Reserves (ii), oil and gas liquids (barrels)	70,216,000	69,733,000
gas (MMCF)	582,200	603,700
Oil and gas properties, gross acres	20,065,818	23,408,839
net acres	10,965,874	14,223,230

- (i) After giving effect on a pro forma basis to the exercise of outstanding options and warrants.
(ii) 100% of proven developed and undeveloped reserves and 50% of additional probable reserves, as estimated by CIGOL's engineers.

Contents

Results in brief	1
Directors and officers	2
Corporate structure	3
Report to shareholders	4
Accounting policies	9
Consolidated statement of income	11
Consolidated balance sheet	12
Auditors' report	13
Consolidated statements of retained earnings and paid-in surplus	14
Consolidated statement of source and application of funds	15
Notes to consolidated financial statements	16
Ten year statistical comparison	20
Northern and Central group of companies	24
Statistical charts	24 and inside back cover
Maps of Canadian operations	Inside back cover



Directors

E. Ryckman Alexander,
Vice-Chairman of the Board,
Gaz Métropolitain, inc.,
Montreal, Quebec

Peter A. Allen,
President, John C. L. Allen Limited,
Toronto, Ontario

* **Edmund C. Bovey,**
President and Chief Executive Officer,
Northern and Central Gas Corporation
Limited,
Toronto, Ontario

* **C. Spencer Clark,**
Chairman of the Board,
Northern and Central Gas Corporation
Limited,
Toronto, Ontario

* **E. Jacques Courtois, Q.C.,**
Chairman of the Board,
Gaz Métropolitain, inc.,
Montreal, Quebec

Robert B. Craddock,
Tucker's Town, Bermuda

* **Peter D. Curry,**
Chairman of the Board,
The Investors Group,
Winnipeg, Manitoba

M. Clifford Deans,
Chairman of the Board,
Bankers Securities of Canada Limited,
Toronto, Ontario

* **Edward A. Galvin,**
President,
Canadian Industrial Gas & Oil Ltd.,
Calgary, Alberta

* **Frederick A. M. Huycke, Q.C.,**
Partner, Osler, Hoskin & Harcourt,
Toronto, Ontario

Raymond Lavoie,
Vice-Chairman of the Board,
Credit Foncier Franco-Canadien,
Montreal, Quebec

A. Searle Leach,
Chairman of the Board,
Federal Grain Limited,
Winnipeg, Manitoba

V. Theodore Low,
Partner, Bear, Stearns & Co.
New York, N.Y.

Donald McKelvie,
President,
Northern Telephone Limited,
New Liskeard, Ontario

Blanche Noyes,
Partner,
Hornblower & Weeks-Hemphill, Noyes,
New York, N.Y.

* Executive Committee

Officers

C. Spencer Clark
Chairman of the Board

Edmund C. Bovey
President and Chief Executive Officer

Timothy G. Sheeres
Executive Vice-President,
Finance and Corporate Affairs

Jean J. Leroux
Executive Vice-President, Operations

Adolph M. Hove
Senior Vice-President,
Planning and Review

William T. Kilbourne
Vice-President, Legal and Secretary

Robert T. Rhodes
Vice-President

Lawrence W. Blaine
Senior Vice-President and
General Manager, Ontario

Leslie L. Hartford
Vice-President,
Marketing and Gas Supply, Ontario

Robert B. Snyder
Vice-President, Operations, Ontario

John L. L. Orbach
Vice-President, Overseas

Alick S. G. Duguid
Treasurer and Controller

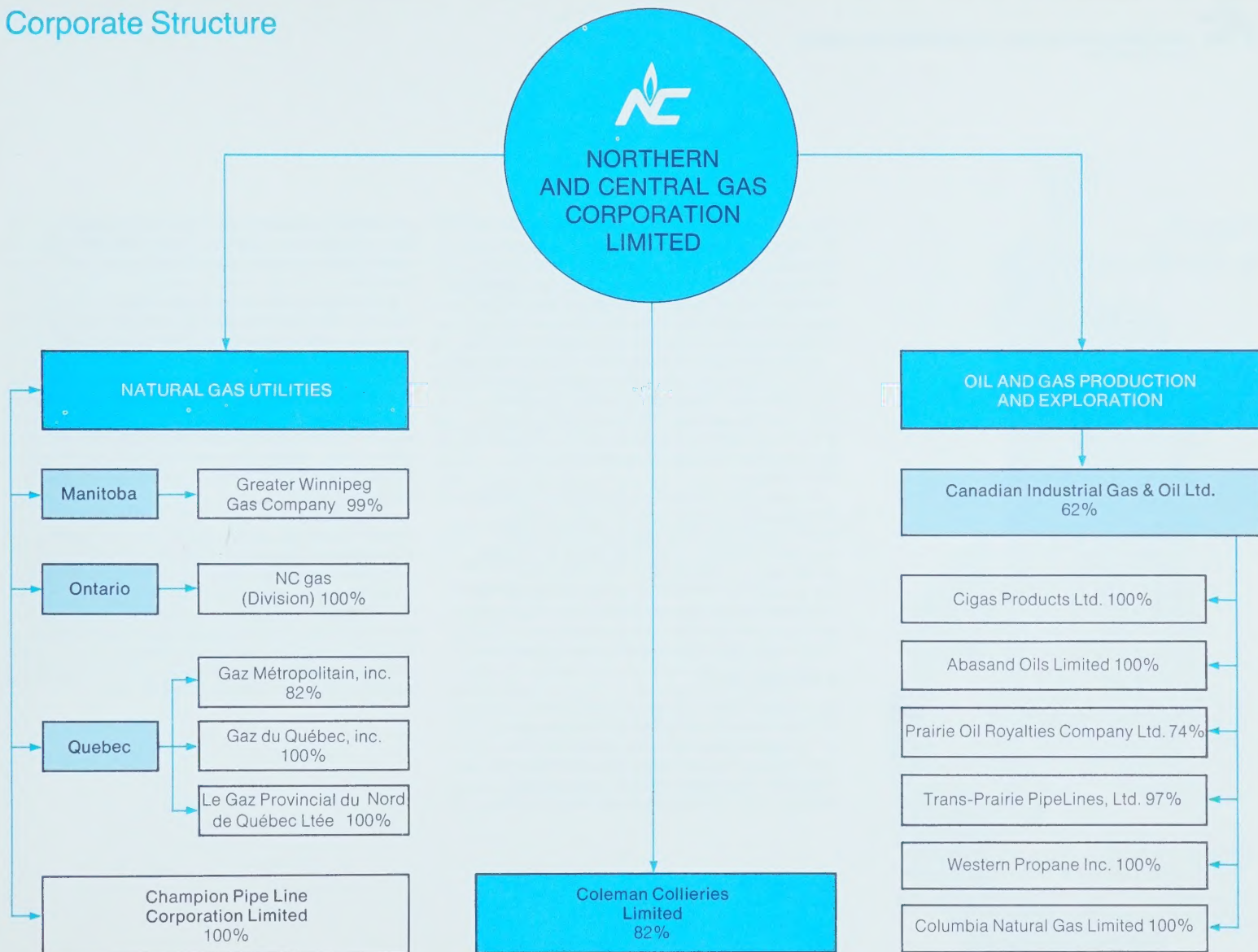
Olga Boychuk
Assistant Secretary

Mart Pedel
Assistant Treasurer

Austin P. Rathke
Senior Vice-President, Winnipeg

Alfred E. Sharp
Senior Vice-President, Quebec

Corporate Structure





Report to the Shareholders

Continued growth and expansion marked the year 1972 for Northern and Central Gas Corporation Limited with the highest earnings in the company's history being achieved. Canadian Industrial Gas & Oil Ltd., Greater Winnipeg Gas, NCgas and Gaz Métropolitain, inc. significantly contributed to the increased earnings of which over 30% are now from non-regulated sources.

Basic earnings per common share were \$1.04 in 1972 compared to 99¢ last year. Total revenues were up 8% to \$221,038,000 compared to \$204,010,000 in 1971. Earnings applicable to common shares were \$14,035,000, an increase of 6% over \$13,229,000 the previous year. Cash income increased 14% to \$45,185,000.

In June, 1972, \$37.5 million 6% junior convertible preference shares were sold and in December, a previously arranged \$32 million U.S. 8% first mortgage bond draw down was completed. It is not anticipated that any long term financing will be required during 1973 to carry out the companies' \$56 million expansion program. Of this amount, \$23 million will be provided by Canadian Industrial Gas & Oil Ltd.'s internal cash generation and bank lines of credit.

Natural Gas Costs

The subject of gas costs and prices continued to be the most important consideration for management in 1972. The second phase of the rate case of the company's main supplier of natural gas before the National Energy Board, was finally completed in January, 1973. This hearing was to determine the

allocation of increased rates between the various delivery zones of the supplier so as to provide the 9% return on rate base allowed by the first phase of the hearing.

It is expected that a decision establishing the new rates will be made sometime during the Spring of 1973. All utilities in the Northern and Central group made representations to the hearing on behalf of the individual markets they serve. It is anticipated that the various regulatory boards which control prices charged for natural gas by the company's utilities, will act with dispatch so that higher gas costs will be passed on without delay. Shareholders should realize that if these Boards are slow to act, earnings for 1973 could be very seriously affected.

During the year a second situation developed with respect to gas costs, namely the hearing held by the Alberta Energy Resources Conservation Board to determine the propriety of the field price of natural gas in the interests of the people of Alberta. The result of this has been the recommendation of the Alberta Government that wellhead gas prices be increased by at least 10¢ per Mcf. This increase would be in addition to whatever rate increases are granted to the company's supplier in the pending rate case.

For Northern and Central shareholders, there are two very important considerations. Firstly shareholders have the favourable position of participating not only in gas distribution revenues, but also in gas production revenues; the latter as a result of Northern and Central's 62% interest in Cigol. For example, in 1972, CIGOL's net natural gas production in Alberta amounted to 32,600 Mmcf. Although it is not certain when or to what extent the recommendation of the Alberta Government will be implemented, a price increase of 10¢ per Mcf, if applied to this production would have resulted in increased earnings of \$2 million to Northern and Central.

The second consideration is that the oil price increase announced by major oil companies in January was equivalent to a 12¢ per Mcf increase in natural gas prices. Thus even with contemplated gas cost increases, the competitive position of natural gas, a premium form of energy, should be maintained in the market place. Other forms of energy have also increased in cost with a 12% upward adjustment announced before yearend by Ontario Hydro and a 22% increase over three years indicated by Hydro Quebec.

CIGOL, a year of progress

The past year saw Canadian Industrial Gas & Oil Ltd. setting new levels of achievement. Total revenues in 1972 were \$47,432,000, up 15% from \$41,271,000 in 1971. Net income increased 8% to \$10,720,000. Cash flow was up 11% to \$19,476,000 compared to \$17,479,000 last year. Crude oil and natural gas liquids production averaged 11,100 barrels per day, against 10,200 barrels per day in 1971. Daily natural gas production was 99,000 Mcf compared to 93,000 Mcf last year. Sales of propane and butane totalled 88,400,000 gallons in 1972. At the end of the year, CIGOL's net crude oil and natural gas liquids reserves were 70,200,000 barrels, natural gas reserves were 582,000 Mmcf, as estimated by CIGOL's engineers.

During the year, CIGOL and its subsidiaries participated in the drilling of 104 wells, of which 25 were completed as oil wells and 31 as gas wells.

Exploration highlights of the past year included:

- Oil and gas discoveries in the western sedimentary basin;

- Participation in the drilling of a gas discovery — Hecla F-62 on the west side of the Sabine Peninsula of Melville Island, through the company's 0.67% ownership of Panarctic Oils Ltd. and its 74% ownership of Prairie Oil Royalties Company. The well is located twenty-five miles west of the 1969 Drake Point gas discovery, and is reported by Panarctic Oils Ltd. to be a major gas discovery, with flow rates up to 20,000 Mcf per day;





—The continuing program on the Imperial Oil farm-in on the Tuktoyaktuk Peninsula. Two wells have now been drilled and abandoned, the third well will be drilled before the end of the 1972-73 winter drilling season. Under the agreement CIGOL will earn a 20% interest in approximately 155,000 acres for drilling 6 exploratory tests which will probably be completed prior to the end of 1974;

—A 15% interest in a license awarded to a British and Canadian consortium covering 2 blocks in the North Sea. Block 210/19, containing 48,928 acres 60 miles northeast of the Shetland Islands, 38 to 17 miles from the successful oil discoveries known as Brent, Cormorant and Halibut. Block 38/2 containing 57,450 acres, 180 miles southeast of Aberdeen, Scotland, and approximately 35 miles south of successful oil wells known as Auk;

—The successful gas well drilled on block 47/14, also in the North Sea, about 32 miles northeast of Grimsby, England, which tested at the rate of 23,000 Mcf per day;

—A 38% interest in three separate permits in Tunisia containing about 3½ million acres. Here seismic work is underway and two test wells are planned for 1973.

As a result of its increased exploration activity in the Canadian frontier and overseas, CIGOL transferred varying interests in its substantial land holdings in these areas into a wholly owned subsidiary, CIGOL International Ltd., which plans by means of a public offering of its own securities to finance its present exploration commitments and future operations.

Greater Winnipeg Gas, continued growth

Total utility revenues of Greater Winnipeg Gas Company for 1972 were up 11% to \$33,111,000 from \$29,718,000 the previous year. Utility net income increased 13% to \$3,366,000 from \$2,978,000 in 1971. Total customers at year end were 120,044 compared to 113,779 a year ago. Almost 5,800 new residential customers were added to the system.

The company's gas supply was increased from 174,000 Mcf per day to 182,000 Mcf per day on November 1, 1972 and it is planned to contract for 190,000 Mcf per day starting November 1, 1973.

While the company benefited from the 8% colder than normal weather during the year, the augmented gas supply arranged in 1972 and planned for late 1973 speaks effectively for the solid continuing growth of the Winnipeg market. It is possible that the company will apply to the Manitoba Public Utilities Board for determination of rate base and rate of return during 1973.

Capital expenditures were \$5,300,000 in 1972 and \$5,200,000 is budgeted for 1973. It is planned to replace the last of the old cast iron system with new steel mains this year.

The outlook for Greater Winnipeg Gas for 1973 is one of continued expansion and growth.

NCgas, a record year

NCgas, the division of the company serving Ontario and northwestern Quebec, had another good year. Net income increased 15% from \$5,493,000 in 1971 to \$6,316,000 this year. Total operating revenues increased 7%, from \$64,178,000 to \$69,063,000. Total customers at year end had risen from 86,069 in 1971 to 90,491. The average use per year per residential customer increased from 153 Mcf in 1971 to 167 Mcf this year.

The weather averaged 10% colder than 1971 and thus contributed significantly to earnings, although new customer acquisition and the strong recovery and increased activity of all resource based industries should also be credited for the improved results for the year. Gas supply was raised from 292,000 Mcf to 311,000 Mcf per day on November 1, 1972 and it is expected this figure will be increased to 320,000 Mcf per day on November 1, 1973. Rate increases for certain Ontario customers became effective January 1, 1972, but a similar application to the Quebec Electricity and Gas Board to cover customers in the Rouyn-Noranda area of northwestern Quebec is still pending.

Capital expenditures were \$8,918,000 in 1972. \$5,800,000 is budgeted and approved for 1973. Continued business expansion and growth, with resultant favourable impact on revenues and earnings, is anticipated in the areas served by NCgas during 1973.

Gaz Métropolitain, inc.

Gaz Métropolitain, inc. had an excellent year. Net income increased 20% from \$5,071,000 in 1971 to \$6,072,000 this year. Total operating revenues increased 7% to \$55,666,000 from \$51,792,000 last year. The program which commenced in 1971 to convert more customers to firm contracts and thus

higher revenues, continued during the year. As a result, firm gas sales were up 22% over 1971, totalling 44,570,855 Mcf.

Over 1,800 new customers of all types were added to the system. Most importantly, the average consumption for residential space heating customers increased during the year by 17% to 150 Mcf, from 128 Mcf in 1971.

To meet the expanding market, the company's gas supply contract was increased from 162,000 Mcf per day to 182,000 Mcf per day, effective November 1, 1972. Also designed to assist gas supply and provide needed peak shaving, the second 10 million gallon liquefied natural gas (LNG) storage tank was completed during the year.

1972 was marked by the first common dividend declared by Gaz Métropolitain; an initial dividend of 10¢ per share on June 30 was followed by a further payment of 10¢ per share on December 31.

In January 1973 a decision was handed down by the Quebec Electricity and Gas Board on the company's rate case filed early in 1972; this provides for increased income of about \$1 million in 1973. The rate of return allowed by the Board however, is not sufficient to allow Gaz Métropolitain to obtain the necessary funds for continued modernization and to provide adequate service. At present, this decision is being reviewed.

Despite this set-back, Gaz Métropolitain is expected to make substantial further progress in 1973.

Capital expenditures in 1972 were \$13.1 million, and \$16.2 million has been budgeted for 1973.

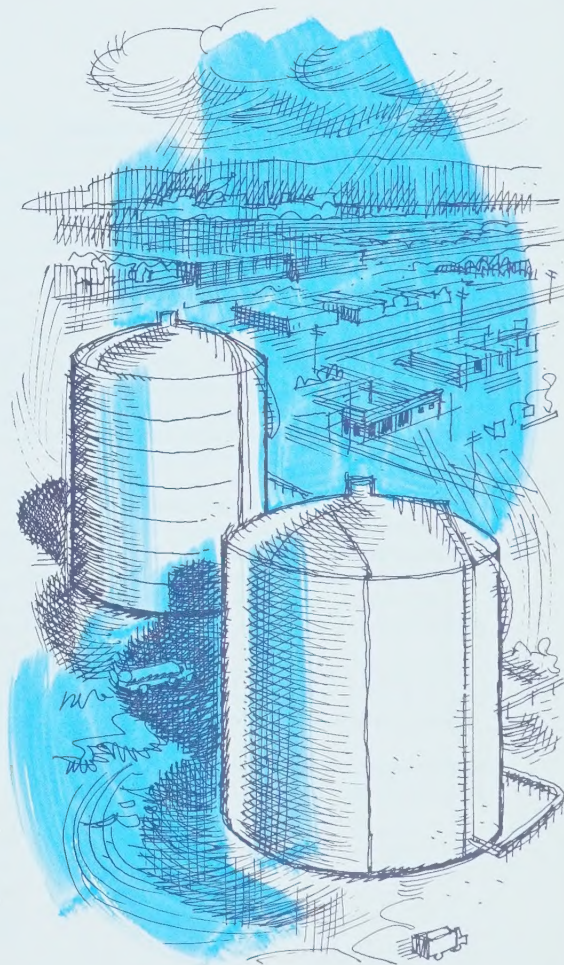
Champion Pipe Line Corporation Limited

Total revenues for Champion Pipe Line in 1972 were \$333,000 compared to \$1,136,700 in 1971. Net income was \$45,600 compared to \$546,800. In 1972 more liquefied natural gas (LNG) was needed in Montreal to fill the new storage tank completed in July, and to provide adequate supplies for peak shaving during the current winter. Thus earnings were sharply down as sales to the north eastern United States had to be reduced to the equivalent of 231,000 Mcf compared to 1,350,000 Mcf in 1971. In previous reports it has been emphasized that sales from the LNG facilities were of a temporary nature and would decrease as peak shaving requirements built up in the Montreal market. The decrease in Champion's earnings are more than offset by a reduction in the cost of gas supply for Gaz Métropolitain. In January 1973, the Champion/Gaz Métropolitain agency agreement was terminated and from now on, Gaz Métropolitain will handle LNG sales directly.

Planning at Coleman

Future needs both domestic and overseas point to expanding markets and increased value for Northern and Central's coal reserves, through its controlling interest in Coleman Collieries Limited.

The year 1972 was one of reorganization, cost reduction programs and formulation of new mining programs. Open pit mining activities were discontinued in mid-year, pending a full study of the properties and reserves. Vicary Two Level North mine was closed as a result of continued geological disturbances. Mining at Vicary B Level which has been continuously operated for 6 years, reached completion in September and all equipment and machinery were moved to Vicary Two South.





Notwithstanding the various changes to the program, total production mined and shipped on long term contracts to Japan in 1972 was 815,945 short tons, compared to 880,215 short tons in 1971.

Total 1972 revenues for Coleman were \$12,775,000 against \$12,357,000 in 1971. A net loss for the year of \$88,000 compared to a net loss of \$476,000 in 1971.

Mine development costs for 1972 were \$3,005,000. These costs are capitalized and written off over the term of the contracts.

Effective October 1, 1972, an interim agreement was reached with Coleman's Japanese customers who have agreed to favourably adjust the tonnage ratio under the company's two existing long-term contracts so as to provide an immediate beneficial effect on revenues and earnings.

Coleman's aim is to build up production to the required level of one million short tons per annum and to put operations on a profitable basis.

Appointments

In 1972, H. C. F. Mockridge, Q.C., and Theodore O. Peterson reached the mandatory retirement age for members of Northern and Central's board. The directors and management wish to express the warmest appreciation for the many valuable contributions made by Mr. Mockridge and Mr. Peterson to the affairs of the company during their term as directors. To replace them, F. A. M. Huycke, Q.C., and Raymond Lavoie have been appointed to the board. Mr. Huycke has acted as Counsel for the Company for a number of years and has a background of experience and knowledge of its operations. Mr. Lavoie brings to the board many years of financial and management experience.

Year-end saw changes and realignment of management functions consistent with the company's growth. In December 1972 the following appointments were approved by the board: Jean J. Leroux — executive vice-president, operations; Timothy G. Sheeres — executive vice-president, finance and corporate affairs; Adolph M. Hove — senior vice-president, planning and review; William T. Kilbourne — vice-president, legal and secretary; Alick S. G. Duguid — treasurer and controller; Peter F. Scully — general counsel; Lawrence W. Blaine — vice-president and general manager, Ontario; Leslie L. Hartford — vice-president, marketing and gas supply, Ontario and Robert B. Snyder — vice-president, operations, Ontario.

Summary

While as already indicated there are some uncertainties with regard to the effect of future gas costs as we move into 1973, the company's gas distribution earnings should benefit from total committed gas supply that provides room for continued expansion

through 1974. At the same time, there is excellent potential for increased production earnings. Thus, management feels the company, one of Canada's leading diversified energy resource companies, is well poised to take advantage of the opportunities that are ahead. In this regard, before year end, the directors approved membership of the company in the Canadian Arctic Gas Study Limited, the objectives of which are to design and build a large diameter gas transmission line from the Mackenzie Delta to the markets of Canada and the United States.

The support and interest of shareholders during this past year of somewhat difficult conditions for the company and the industry is greatly appreciated.

The continued excellent performance of all employees has been important to the increased earnings reported and is gratefully acknowledged by management and the directors.

On behalf of the Board,

C. Spencer Clark
Chairman of the Board

Edmund C. Bovey
President and
Chief Executive Officer

February 27, 1973.



Accounting Policies

The principal accounting policies followed by Northern and Central Gas Corporation Limited and its subsidiaries are summarized here to facilitate a comprehensive review of the financial statements contained in this report.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and all its subsidiaries; all inter-company transactions have been eliminated.

For comparative purposes the revenues and expenses of Coleman Collieries Limited, acquired in August 1971, have been included from January 1, 1971; the 1971 provision for minority interest has been adjusted so as to include in consolidated net income only the Company's share of Coleman's income since acquisition.

Intangible assets arising from acquisitions

The excess of cash or other consideration attributed to the acquisition of shares of gas utility subsidiaries over the underlying book values of their net assets at dates of acquisition has been reflected as intangible assets arising from acquisitions. In the opinion of the Company no diminution in value of this item has occurred and accordingly these assets are not being amortized.

Property, Plant and Equipment

Gas utility facilities

Depreciation is provided on the straight-line method by application of rates varying from 1¼ % to 25% of cost. The application of these rates has been equivalent to an annual composite rate of approximately 2½ %.

Oil and gas exploration and production facilities

Oil and gas properties include all expenditures related to the exploration and development of oil and gas reserves, whether or not potentially productive. These costs are depleted on the composite unit-of-production method, based on total estimated recoverable oil and gas reserves.

Oil and gas production equipment and related facilities are depreciated on the straight-line method at rates varying from 3⅓ % to 25% of cost. The application of these rates has been equivalent to an annual composition rate of approximately 5%.

Coal properties

Coal properties include initial costs and development thereon, together with the excess, \$14,247,000, of the Company's acquisition cost over the value of the net assets recorded by Coleman at date of acquisition. At December 31, 1972 development costs included in coal properties amounted to \$7,017,000 of which \$3,006,000 was incurred in 1972.

Total direct mining costs have been charged to current operations based upon normal production costs as estimated by independent engineers and management. The balance of direct mining costs are attributable to delineation of mineable coal reserves and accordingly are included in coal properties.

Commencing January 1, 1972 coal properties in production and under development are being depleted by Coleman over the remaining life of the present sales contracts with the Japanese trading companies on a unit-of-production basis. In 1971 depletion of individual producing coal properties was provided on the unit-of-production method based on proven reserves; this change in policy has not resulted in a material change in 1972 depletion.

Amortization by the Company of the excess of the Company's acquisition cost referred to above is being provided on the unit-of-production method based on total proven reserves.

Production equipment is depreciated at rates varying from 5% to 30% and has been equivalent to an annual composite rate of approximately 7%.



Income taxes

Gas utilities

The companies' rates and revenues established for regulatory purposes include recovery of income taxes currently payable; accordingly, the companies provide income taxes on this basis and do not provide for income taxes, which may be payable in future years, as a result of current differences in timing of deductions for financial reporting and income tax purposes, principally in respect of depreciation and amortization. Such income taxes not provided and not recovered in revenues amounted, before applicable minority interests, to \$5,700,000 in 1972, \$5,000,000 in 1971 and \$42,900,000 in total to December 31, 1972.

Oil and gas exploration and production

The companies claim amounts for income tax purposes, in respect of oil and gas properties and production facilities, in excess of the related depletion and depreciation provisions in the accounts, thereby reducing income taxes currently payable. The companies follow the general practice in the oil and gas industry of not providing for such reduction in income taxes currently payable which amounted, before applicable minority interests, to \$4,400,000 in 1972, \$4,300,000 in 1971 and \$26,600,000 in total to December 31, 1972.

Deferred charges

The companies follow the policy of deferring in the year incurred the costs and expenses of issuing long-term debt and of amortizing these charges against income over the term of the applicable issue.

The gas utilities also defer in the year incurred certain other expenses which the regulatory authorities require or permit to be recovered from future revenues; such charges are being amortized over various time periods, not in excess of 20 years.

Commencing January 1, 1972 the Company agreed to pay its supplier an additional 2.1¢ per Mcf for gas delivered in Ontario until the effective date of rates to be charged to it under an order of the National Energy Board. In accordance with an order of the Ontario Energy Board such payments, which amounted to \$2,097,000 at December 31, 1972, have been deferred and are to be amortized in future years.

Earnings per common share

Basic earnings per common share have been calculated using the weighted monthly average number of common shares outstanding during the year after giving effect, on a pro forma basis, to the exercise of outstanding options and warrants (13,410,395 shares in 1972; 13,309,931 in 1971). Fully diluted earnings per common share represents basic earnings per common share figures after giving effect, on a pro forma basis, to the conversion of outstanding convertible preference shares.

Consolidated Statement of Income

for the year ended December 31, 1972
(thousands of dollars)



NORTHERN AND CENTRAL GAS CORPORATION LIMITED
and its Subsidiaries

	1972	1971(a)
Revenues		
Sales and other revenues	\$221,038	\$204,010
Costs and Expenses		
Gas purchases	100,341	92,079
Production, operations and maintenance .	45,311	42,141
Depreciation and depletion (a)	20,135	18,018
Taxes other than income taxes	5,327	5,337
Interest	24,745	25,124
Income taxes (a)	1,505	718
	<u>197,364</u>	<u>183,417</u>
Income Before Minority Interests	<u>23,674</u>	<u>20,593</u>
Minority interests in subsidiaries		
Preference share dividends	911	932
Common share earnings	5,124	3,803
	<u>6,035</u>	<u>4,735</u>
Consolidated Net Income	<u>17,639</u>	<u>15,858</u>
Dividends on preference shares ...	3,604	2,629
Net Income Applicable to Common Shares	<u>\$ 14,035</u>	<u>\$ 13,22</u>
Earnings per common share (a)		
Basic	\$ 1.04	\$ 0.99
Fully diluted	\$ 1.00	\$ 0.97

(a) See "Accounting Policies"

Consolidated Balance Sheet

as at December 31, 1972
(thousands of dollars)

(a) See "Accounting Policies"



NORTHERN AND CENTRAL GAS CORPORATION LIMITED
and its Subsidiaries

Assets

Current Assets

	1972	
Cash and short-term deposits	\$ 11,485	
Accounts receivable	30,018	26,115
Unbilled gas, at selling price	5,328	4,932
Inventories, at lower of cost and replacement cost	11,708	8,691
Prepayments, advances and deposits	2,210	2,606
	<u>60,749</u>	<u>50,581</u>

Investments, at cost (Note 4)	<u>30,049</u>	<u>27,810</u>
-------------------------------	---------------	---------------

Property, Plant and Equipment (Note 5) and (a)

Cost	643,310	600,365
Accumulated depreciation and depletion	138,574	124,723
	<u>504,736</u>	<u>475,642</u>

Deferred Charges, at amortized cost (Note 6) and (a)	<u>17,988</u>	<u>16,552</u>
--	---------------	---------------

Intangible Assets Arising from Acquisitions, at amortized cost (a)	<u>36,321</u>	<u>36,321</u>
---	---------------	---------------

Signed on behalf of the Board:

C. Spencer Black
Director.

R. J. McInnes
Director.

	<u>\$649,843</u>	<u>\$606,906</u>
--	------------------	------------------

Liabilities

Current Liabilities

Commercial paper		
Bank loans of subsidiaries (Note 7)	\$ 6,253	
Accounts payable and accrued	34,412	
Income and other taxes	2,160	
Current maturities on long-term debt	9,752	

1972

1971

\$ 18,350

5,461

32,186

1,518

7,944

52,577

65,459

11,978

325,387

25,720

389,942

393,429

65,194

Bank Loans (Note 7)

Long-Term Debt (Note 8)

Total Liabilities

Minority Interests in Subsidiaries (Note 9)

Shareholders' Equity

Capital Stock (Note 10)

Authorized

564,437	First preference shares \$50 each par value, issuable in series	
1,679,022	Second preference shares \$25 each par value, issuable in series	
4,000,000	Junior preference shares \$25 each par value, issuable in series	
30,445,160	Common shares without par value	

Issued

	First preference shares	
129,621	\$2.60 cumulative first series	6,463
34,968	\$2.70 cumulative second series	1,748
	Second preference shares	
9,057	\$1.06 cumulative series A	226
1,306,740	\$1.50 cumulative convertible series B	32,669
	Junior preference shares	
1,500,000	\$1.50 cumulative convertible first series	37,500
13,411,920	Common shares	78,906

Paid-in Surplus

Retained Earnings (Note 11)

Total Shareholders' Equity

194,707

\$649,843

\$606,906

Riddell, Stead & Co.

CHARTERED ACCOUNTANTS

P.O. Box 431, Royal Trust Tower, Toronto-Dominion Centre
Toronto 111, Ontario

Auditors' Report

To The Shareholders

Northern and Central Gas Corporation Limited

We have examined the consolidated balance sheet of Northern and Central Gas Corporation Limited and its subsidiaries as at December 31, 1972 and the consolidated statements of income, retained earnings, paid-in surplus and source and application of funds for the year then ended. Our examination of the financial statements of Northern and Central Gas Corporation Limited and those subsidiaries of which we are the auditors included a general review of accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. We have relied on the report of other auditors who have examined the financial statements of a subsidiary.

In our opinion, subject to the outcome of the matter referred to in Note 13, these consolidated financial statements present fairly the financial position of the companies as at December 31, 1972 and the results of their operations and the source and application of the funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Riddell Stead & Co.

February 9, 1973



Consolidated Statements of Retained Earnings and Paid-In Surplus

for the year ended December 31, 1972
(thousands of dollars)

	Retained Earnings		Paid-in Surplus	
	1972	1971	1972	1971
Balance at Beginning of Year.....	\$30,780	\$25,484	\$ 1,909	\$ 3,361
Consolidated net income	17,639	15,858		
	<u>48,419</u>	<u>41,342</u>	<u>1,909</u>	<u>3,361</u>
Dividends				
Preference shares	3,604	2,629		
Common shares	8,046	7,914		
Adjustment of investment in CIGOL resulting from issues of additional common shares			71	1,389
Share issue expenses			1,265	63
Other	147	19		
	<u>11,797</u>	<u>10,562</u>	<u>1,336</u>	<u>1,452</u>
Balance at End of Year (Note 11)	<u>\$36,622</u>	<u>\$30,780</u>	<u>\$ 573</u>	<u>\$ 1,909</u>



Consolidated Statement of Source and Application of Funds

for the year ended December 31, 1972
(thousands of dollars)

- (i) Includes \$ 5,251,000 long-term debt of an acquired subsidiary.
(ii) Includes \$16,379,000 net property and plant of an acquired subsidiary.

	1972	1971
Source of Funds		
From operations		
Consolidated net income	\$ 17,639	\$ 15,858
Charges not requiring funds (depreciation, depletion, amortization and minority interests)	27,546	23,629
	45,185	39,487
Increase (decrease) in minority interests	(65)	3,893
Issue of long-term debt	31,935	55,251 (i)
Issue of common shares for cash	34	33
Issue of preference shares for cash	37,500	
	114,589	98,664
Application of Funds		
Net additions to property, plant and equipment	49,229	61,108 (ii)
Decrease (increase) in bank loans	10,263	(250)
Retirement of long-term debt	12,277	11,088
Dividends on common shares	8,046	7,914
Dividends on preference shares	3,604	2,629
Redemption of preference shares	666	687
Financing expenses and other deferred charges	4,988	3,662
Increase in investments	2,239	2,398
Acquisition of shares of subsidiaries	24	15,084
Other items (net)	203	(116)
	91,539	104,204
Increase (Decrease) in Working Capital Position	\$ 23,050	

Notes To Consolidated Financial Statements

for the year ended December 31, 1972
(thousands of dollars)

1. Accounting policies

The information on pages 9 and 10 presents a summary of certain accounting policies and is an integral part of these financial statements.

2. Subsidiaries

Sales and other revenues, the Company's share of net income (loss) and percentage equity ownership held by the Company at year end for each principal subsidiary, were:

	1972			1971		
	Sales and other revenues	Share of net income (loss)	Ownership	Sales and other revenues	Share of net income	Ownership
Gas utilities						
Greater Winnipeg Gas Company	\$33,475	\$3,566	99%	\$30,106	\$3,668	99%
Gaz Métropolitain, Inc.	57,125	4,178	82%	54,048	3,361	82%
Oil and gas exploration and production						
CIGOL and subsidiaries	47,432	6,579	62%	41,271	5,985	62%
Coal properties						
Coleman Collieries Limited	12,775	(72)	82%	12,357	119	82%

3. Operations

Results of operations for 1972 by principal area of activity and on a consolidated basis were as follows:

	Gas utilities	Oil and gas exploration and production	Coal properties
Sales and other revenues	\$160,831	\$47,432	\$12,775
Costs and expenses			
Gas purchases	87,068	13,273	
Production, operations and maintenance	22,416	12,511	10,384
Depreciation and depletion	10,505	8,450	1,180
Taxes other than income taxes	5,327	(i)	(i)
Income taxes	1,189	316	
	126,505	34,550	11,564
Income before interest and minority interests	\$ 34,326	\$12,882	\$ 1,211

(i) included in production, operations and maintenance.

4. Investments, at cost

	1972	1971
Gas utilities		
Mortgages receivable	\$10,498	\$14,309
Canadian Arctic Gas Study Limited	1,118	
Other	517	590
	12,133	14,899
Oil and gas exploration and production		
Shares of Elf Oil Exploration and Production Canada Ltd.	14,423	9,536
Other shares and advances	3,493	3,375
	17,916	12,911
	\$30,049	\$27,810



5. Property, plant and equipment

Description	1972			1971
	Cost	Accumulated depreciation and depletion	Net	Net
Gas utilities				
Coke plant	\$ 17,503	\$ 8,795	\$ 8,708	\$ 7,953
Gas storage	24,423	1,889	22,534	19,186
Gas distribution	340,794	43,014	297,780	278,381
Rental equipment	38,236	9,182	29,054	30,294
General plant	17,440	4,642	12,798	12,875
Construction in progress	596		596	2,610
Customers' and other contributions	(3,860)		(3,860)	(3,059)
	<u>435,132</u>	<u>67,522</u>	<u>367,610</u>	<u>348,240</u>
Oil and gas exploration and production				
Oil and gas properties and equipment	122,573	42,807	79,766	72,082
Pipelines and processing plants	27,710	18,710	9,000	9,771
Propane marketing equipment	18,390	4,829	13,561	13,534
	<u>168,673</u>	<u>66,346</u>	<u>102,327</u>	<u>95,387</u>
Coal properties				
Coal reserves	25,499	989	24,510	22,063
Production equipment	14,006	3,717	10,289	9,952
	<u>39,505</u>	<u>4,706</u>	<u>34,799</u>	<u>32,015</u>
	<u>\$643,310</u>	<u>138,574</u>	<u>\$504,736</u>	<u>\$475,642</u>

6. Deferred charges, at amortized cost

Description	Basis or period of amortization	1972	1971
Gas utilities			
Long-term debt issue expense	Amortized over term of applicable issue	\$ 8,547	\$ 8,767
Contribution to customers for conversion to natural gas	3 to 20 years	1,721	1,955
Special gas costs	See "Accounting Policies" (pages 9 and 10)	2,097	
Other gas costs	10 to 20 years	1,073	1,170
Special rental appliance expenses	13 1/3 years	811	903
Rate hearing expenses	3 to 5 years	922	908
Extraordinary plant retirements	5 to 10 years	885	957
Computer conversion costs	5 to 7 years	693	639
Preliminary engineering and other projects	Expensed, amortized or capitalized on completion	656	1,020
		<u>17,405</u>	<u>16,319</u>
Oil and gas exploration and production		583	293
		<u>\$17,988</u>	<u>\$16,552</u>

7. Bank loans	1972	1971
The Company	\$ 850	\$ 9,000
CIGOL and subsidiaries, secured primarily on CIGOL's oil and gas properties	13,571	16,677
Coleman, secured on Coleman's accounts receivable	3,810	2,025
	<u>18,231</u>	<u>27,702</u>
Less included in current liabilities		
Current maturities — CIGOL	2,443	3,436
Coleman	3,810	2,025
	<u>6,253</u>	<u>5,461</u>
	<u>\$11,978</u>	<u>\$22,241</u>

While these loans are evidenced by demand notes, the Company's loans are customarily repaid from the proceeds of long-term financing, and CIGOL and subsidiaries have informal understandings with the banks that their loans will be repaid in monthly instalments.

8. Long-term debt	Due within one year	1972	1971
Northern and Central Gas Corporation Limited			
5½% - 8½% First mortgage bonds, 1973 - 1992	\$4,644	\$124,682	\$ 97,791
9½% Senior debentures, 1991		50,000	50,000
6% Notes and subordinated notes, 1975 - 1987	137	7,819	7,954
5¼% - 9½% Debentures, 1982 - 1991	132	54,188	56,264
	<u>4,913</u>	<u>236,689</u>	<u>212,009</u>
Greater Winnipeg Gas Company			
5¼% - 6% First mortgage bonds, 1978 - 1984	575	18,525	19,100
5½% - 6% Debentures, 1979 - 1980	200	2,825	3,025
	<u>775</u>	<u>21,350</u>	<u>22,125</u>

	Due within one year	1972	1971
Gaz Métropolitain, inc.			
5½% - 7% First mortgage bonds, 1980 - 1990	1,815	31,578	33,497
6% General mortgage bonds, 1988 - 1989	350	10,988	11,310
5¼% Debentures, 1985		15,993	17,000
	<u>2,165</u>	<u>58,559</u>	<u>61,807</u>
CIGOL and subsidiaries			
5½% - 6½% First mortgage bonds, 1976 - 1983	732	10,780	11,778
6¼% Debentures, 1976		201	300
Notes and purchase agreements	609	2,159	2,368
	<u>1,341</u>	<u>13,140</u>	<u>14,446</u>
Coleman Collieries Limited			
12% Debentures, 1981		660	660
Mortgages, 1972 - 1977	425	2,352	2,487
Note, 1981 (non-interest bearing)	100	1,835	1,835
Notes, 1973 - 1976	116	444	269
	<u>641</u>	<u>5,291</u>	<u>5,251</u>
Other		193	289
	<u>\$9,835</u>	<u>335,222</u>	<u>315,927</u>
Deduct			
Long-term debt held for sinking fund purposes		83	2,254
Current maturities on long-term debt		9,752	7,944
		<u>9,835</u>	<u>10,198</u>
		<u>\$325,387</u>	<u>\$305,729</u>

The above figures include premiums on securities issued in U.S. funds converted to Canadian funds at their respective dates of issue. Long-term debt maturities and sinking fund requirements, for each of the four years subsequent to 1973, are as follows: 1974 — \$11,003,000; 1975 — \$12,752,000; 1976 — \$13,742,000; 1977 — \$15,905,000



9. Minority interests in subsidiaries

		1972		1971
	Preference shares	Common share equity	Total	Total
Gas utilities				
Greater Winnipeg Gas Company		\$ 76	\$ 76	\$ 80
Gaz Métropolitain, inc.	\$15,160	7,593	22,753	22,178
Oil and gas exploration and production				
CIGOL and subsidiaries	1,550	39,139	40,689	36,194
Coal properties				
Coleman Collieries Limited	2,081	(405)	1,676	1,692
	<u>\$18,791</u>	<u>\$46,403</u>	<u>\$65,194</u>	<u>\$60,144</u>

10. Capital stock

Changes in the Company's issued capital during 1972 were as follows:

	Common shares		First preference shares		Second preference shares		Junior preference shares
	Number	Amount	First series	Second series	Series A	Series B	First series
	Number	Amount	Number	Number	Number	Number	Number
January 1, 1972	13,408,796	\$78,872	138,606	35,803	10,126	1,311,975	
Issued for cash							
New issue							1,500,000
Employees' share purchase plan	2,379	33					
Warrants	133	1					
Incentive stock option plan	612						
Redeemed			(9,345)	(835)	(1,069)	(5,235)	
December 31, 1972	<u>13,411,920</u>	<u>\$78,906</u>	<u>129,261</u>	<u>34,968</u>	<u>9,057</u>	<u>1,306,740</u>	<u>1,500,000</u>

Preference shares: The first preference shares, first and second series, are currently redeemable at \$52.00 and \$50.50 per share, respectively, and do not presently have voting rights. The second preference shares, series A, are redeemable at \$27.50 per share and have voting rights. The second preference shares, series B, (redeemable at \$26.50 per share after August 14, 1976), have voting rights and are convertible into 2,352,132 common shares to August 15, 1977.

The junior preference shares, first series, (redeemable at \$26.25 after June 30, 1975), have voting rights and are convertible into 2,586,206 common shares to June 30, 1977 and thereafter into 2,343,750 common shares to June 30, 1982.

Common shares: Unissued common shares are reserved as follows:

20,346	under the employees' share purchase plan, of which 3,506 shares are being subscribed for at prices ranging from \$10.46 to \$12.98 per share,
1,981	for the exercise of warrants at prices increasing from \$12.00 to \$15.00 per share and expiring in 1978,
799,325	for the exercise of warrants at \$14.00 per share and expiring in 1977,
433,895	for the incentive stock option plan, of which options on 382,200 shares were outstanding at December 31, 1972, exercisable at prices from \$11.875 to \$16.50 and expiring to 1977. During 1972, options on 39,000 shares were granted, options on 8,600 shares were exercised
<u>1,255,547</u>	and options on 25,600 shares expired.

11. Dividend restrictions

The indentures and agreements relating to the Company's long-term debt obligations contain covenants limiting the payment of dividends.

12. Commitments and 1973 capital program

It is anticipated that the companies will expend in 1973 approximately \$56,000,000 on gas utility facilities, oil and gas exploration and production facilities, coal mining equipment and other requirements including participation in Canadian Arctic Gas Study Limited. It is proposed to finance these expenditures from operating revenues, from the proceeds at maturity of short-term notes, and through available lines of credit with chartered banks, including the sale of commercial paper.

13. Coleman Collieries Limited

Coleman, acquired by the Company in 1971, has proven coal reserves in excess of the tonnage required under its present sales contracts. However a continuing program of mine development is required to enable Coleman to obtain access to sufficient mineable reserves to meet its commitments under such contracts. Coleman has encountered certain geological disturbances which have resulted in higher development costs and lower mineable reserves than anticipated. The return on and recovery of the Company's investment in Coleman, amounting to \$23,433,000 including debt securities at December 31, 1972, is related to the ability of Coleman to establish additional mineable reserves and to recover its deferred development costs.

14. Statutory information

The remuneration of directors and senior officers of the Company, paid by the Company and its subsidiaries, aggregated \$857,000 in 1972 and \$823,000 in 1971.

Ten Year Statistical Comparison

INCOME (thousands of dollars)

	1972		
Revenues			
Gas utilities	\$ 160,831	150,382	140,063
Oil and gas exploration and production	47,432	41,271	32,584
Coal production	12,775	12,357	
	<u>221,038</u>	<u>204,010</u>	<u>172,647</u>
Costs and expenses			
Gas purchases	100,341	92,079	84,142
Production, operations and maintenance	45,311	42,141	27,133
Depreciation and depletion	20,135	18,018	15,645
Taxes other than income taxes	5,327	5,337	5,076
Interest	24,745	25,124	21,674
Income taxes	1,505	718	746
	<u>197,364</u>	<u>183,417</u>	<u>154,416</u>
Income before minority interests	23,674	20,593	18,231
Minority interests	6,035	4,735	4,308
CONSOLIDATED NET INCOME	<u>\$ 17,639</u>	<u>15,858</u>	<u>13,923</u>

EARNINGS AND DIVIDENDS (Note 2)

Dividends on preference shares	\$ 3,604,000	2,629,000	2,716,000
Earnings applicable to common shares	\$14,035,000	13,229,000	11,207,000
Basic earnings per common share	\$ 1.04	.99	.87
Cash dividends paid on common shares	\$ 8,046,000	7,914,000	7,621,000
Cash dividend per common share	\$.60	.60	.60

1969	1968	1967	1966	1965	1964	1963
125,628	113,072	104,592	58,631	52,783	24,510	21,723
33,390	23,559	21,268	19,528			
<u>159,018</u>	<u>136,631</u>	<u>125,860</u>	<u>78,159</u>	<u>52,783</u>	<u>24,510</u>	<u>21,723</u>
75,451	65,771	61,222	37,807	29,930	16,028	14,024
25,416	22,628	22,846	12,981	6,735	2,704	2,677
16,219	11,253	10,399	6,505	2,880	1,091	946
4,761	3,914	3,295	1,337	1,180	341	278
18,420	14,856	12,236	6,184	4,542	2,298	2,214
1,913	1,025	1,403	1,399	1,089	9	8
<u>142,180</u>	<u>119,447</u>	<u>111,401</u>	<u>66,213</u>	<u>46,356</u>	<u>22,471</u>	<u>20,147</u>
16,838	17,184	14,459	11,946	6,427	2,039	1,576
4,830	3,143	3,370	3,563	3,074	16	15
<u>12,008</u>	<u>14,041</u>	<u>11,089</u>	<u>8,383</u>	<u>3,353</u>	<u>2,023</u>	<u>1,561</u>
2,779,000	2,816,000	1,238,000	760,000	191,000	114,000	120,000
9,229,000	11,225,000	9,851,000	7,623,000	3,162,000	1,909,000	1,441,000
.77	.96	.85	.89	.89	.62	.51
6,684,000	5,435,000	4,431,000	3,021,000	989,000	822,000	698,000
.575	.475	.39	.3975	.30	.275	.25

Notes

(1) Principal subsidiaries acquired during the period were:

Lakeland Natural Gas Limited	1965
Greater Winnipeg Gas Company	1965
Canadian Industrial Gas & Oil Ltd.	1966
Gaz Métropolitain, inc.	1967
Trans-Prairie Pipelines, Ltd.	
(subsidiary of CIGOL)	1969
Coleman Collieries Limited	1971

(2) Restated to give effect to a 2 for 1 split of common shares in 1966.

Five year statistical information of individual companies is available upon request.



Ten Year Statistical Comparison

SYSTEM DATA — GAS UTILITIES	1972	1971	1970
Miles of pipe at year-end — distribution and transmission	5,053	4,871	4,764
Expenditures for plant addition (000's)	\$ 30,027	22,956	17,189
Active utility customers at year-end			
Industrial	2,050	2,072	2,038
Commercial	27,179	26,364	25,730
Residential	374,315	370,985	369,508
Total	<u>403,544</u>	<u>399,421</u>	<u>397,276</u>
Gas sales — MCF			
Industrial, firm	84,888,503	73,449,465	62,334,342
Industrial, interruptible*	41,253,831	49,031,247	50,865,461
Commercial	33,622,677	29,303,295	29,117,926
Residential	48,499,119	43,868,516	43,777,970
Total	<u>208,264,130</u>	<u>195,652,523</u>	<u>186,095,699</u>
Gas sales and other revenues (000's)			
Industrial, firm	\$ 47,310	40,259	33,464
Industrial, interruptible*	17,263	20,790	19,522
Commercial	28,160	24,626	23,641
Residential	58,789	54,381	53,289
Other revenues	9,309	10,326	10,147
Total	<u>\$ 160,831</u>	<u>150,382</u>	<u>140,063</u>

1969	1968	1967	1966	1965	1964	1963
4,696	4,445	4,068	2,618	2,388	1,001	968
43,556	44,640	32,364	19,947	11,815	3,329	4,243
1,973	1,577	1,916	423	402	106	110
25,319	24,705	23,649	12,853	11,998	4,321	3,960
371,216	366,233	360,215	149,025	136,567	45,007	44,651
398,508	392,915	385,780	162,301	148,967	52,934	48,621

54,727,140	43,619,254	38,757,233	24,861,309	20,484,723	13,462,878	11,584,714
45,247,563	42,028,400	41,694,287	25,455,022	25,290,613	17,229,234	16,507,127
26,862,167	23,650,826	22,065,699	15,766,111	13,831,354	4,728,448	4,004,298
40,600,054	39,164,172	37,487,924	22,514,942	20,486,351	6,031,029	5,261,790
167,140,224	148,460,652	140,005,143	88,551,384	80,093,041	41,451,589	37,357,929

26,636	21,720	20,238	11,767	10,412	6,391	5,404
16,634	16,940	15,884	9,081	9,093	6,375	6,142
21,778	19,901	18,417	11,798	10,403	3,460	3,156
49,803	45,411	45,583	23,469	21,407	7,755	6,750
8,577	6,877	4,470	3,516	1,972	517	419
125,628	113,071	104,592	58,621	52,753	24,510	21,123

*Includes resale gas in 1967 and sales of liquefied natural gas in 1971 and 1972.

Principal Operating Companies:

Alberta

Canadian Industrial Gas & Oil Ltd
640 Eighth Avenue, S.W., Calgary T2P 1G9

Coleman Collieries Limited
Coleman

Manitoba

Greater Winnipeg Gas Company
265 Notre Dame Avenue, Winnipeg R3B 1N9

Ontario

NCgas
150 Consumers Road, Willowdale M2J 1R1
Champion Pipe Line Corporation Limited
4600 Toronto-Dominion Centre, Toronto M5K 1E5
Northern Ontario Acceptance Company Limited
4600 Toronto-Dominion Centre, Toronto M5K 1E5

Quebec

Gaz Métropolitain, inc.
1717 du Havre St., Montreal 134

Gaz du Québec, inc.
1717 du Havre St., Montreal 134

Le Gaz Provincial du Nord de Québec Ltée
9 Perreault St., East, Rouyn.

Transfer Agents:

First Preference Shares

Montreal Trust Company in Toronto, Montreal, Winnipeg,
Calgary and Vancouver

Second Preference Shares

National Trust Company, Limited in Toronto, Montreal,
Winnipeg, Calgary and Vancouver

Junior Preference Shares

National Trust Company, Limited in Toronto, Montreal,
Winnipeg, Regina, Calgary and Vancouver

Common Shares

National Trust Company, Limited in Toronto, Montreal,
Winnipeg, Regina, Calgary and Vancouver

Chemical Bank in New York

Registrars:

First Preference Shares

Montreal Trust Company in Toronto, Montreal, Winnipeg,
Calgary and Vancouver

Second Preference Shares

National Trust Company, Limited in Toronto, Montreal,
Winnipeg, Calgary and Vancouver

Junior Preference Shares

Montreal Trust Company in Toronto, Montreal, Winnipeg,
Regina, Calgary and Vancouver

Common Shares

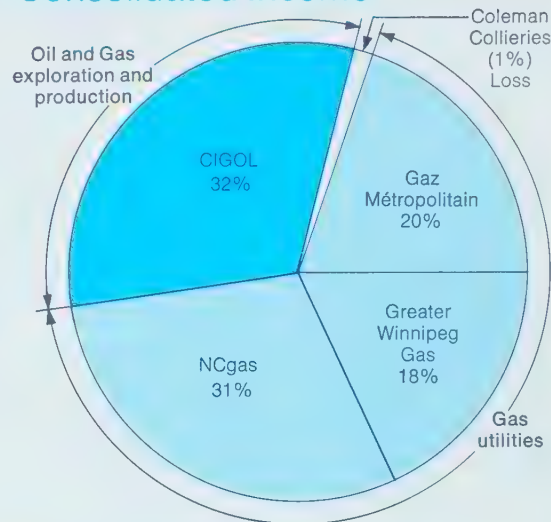
Montreal Trust Company in Toronto, Montreal, Winnipeg,
Regina, Calgary and Vancouver

Morgan Guaranty Trust Company of New York in
New York

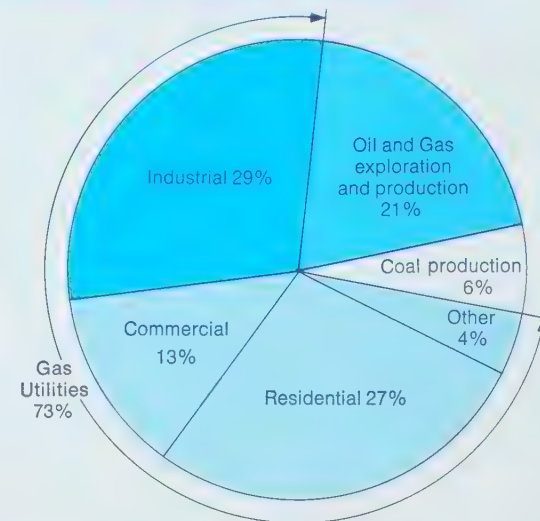
Common Shares Listed on Toronto,

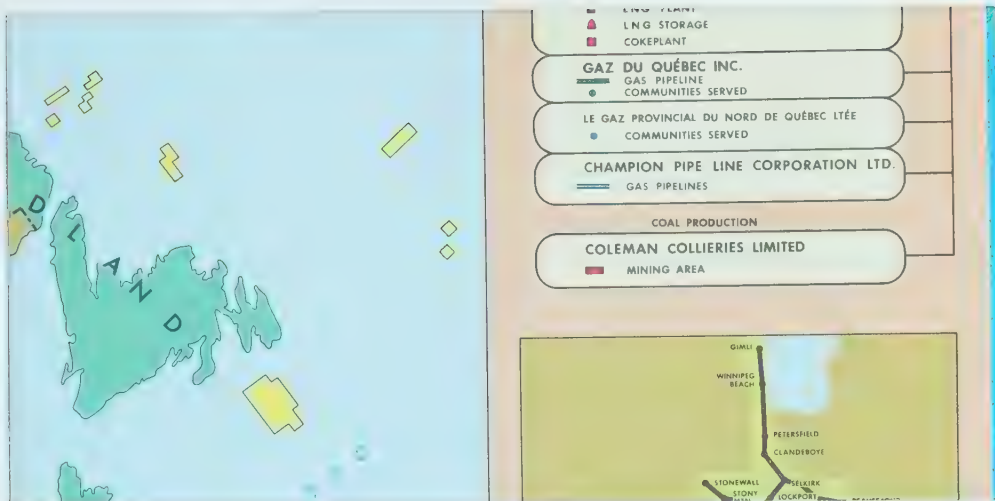
Montreal, Winnipeg, Vancouver and New York
Stock Exchanges

Contribution to Consolidated Income



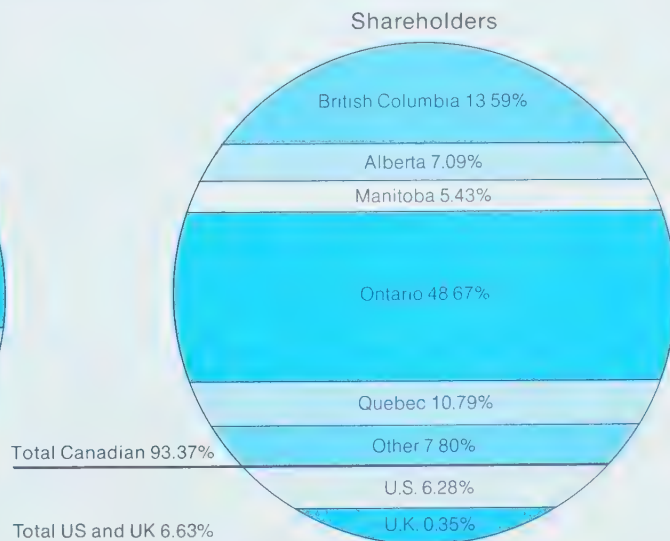
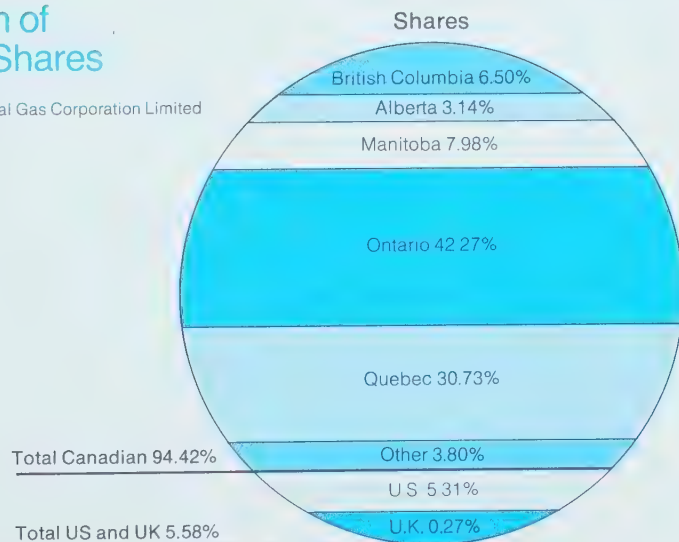
Sales and other revenues

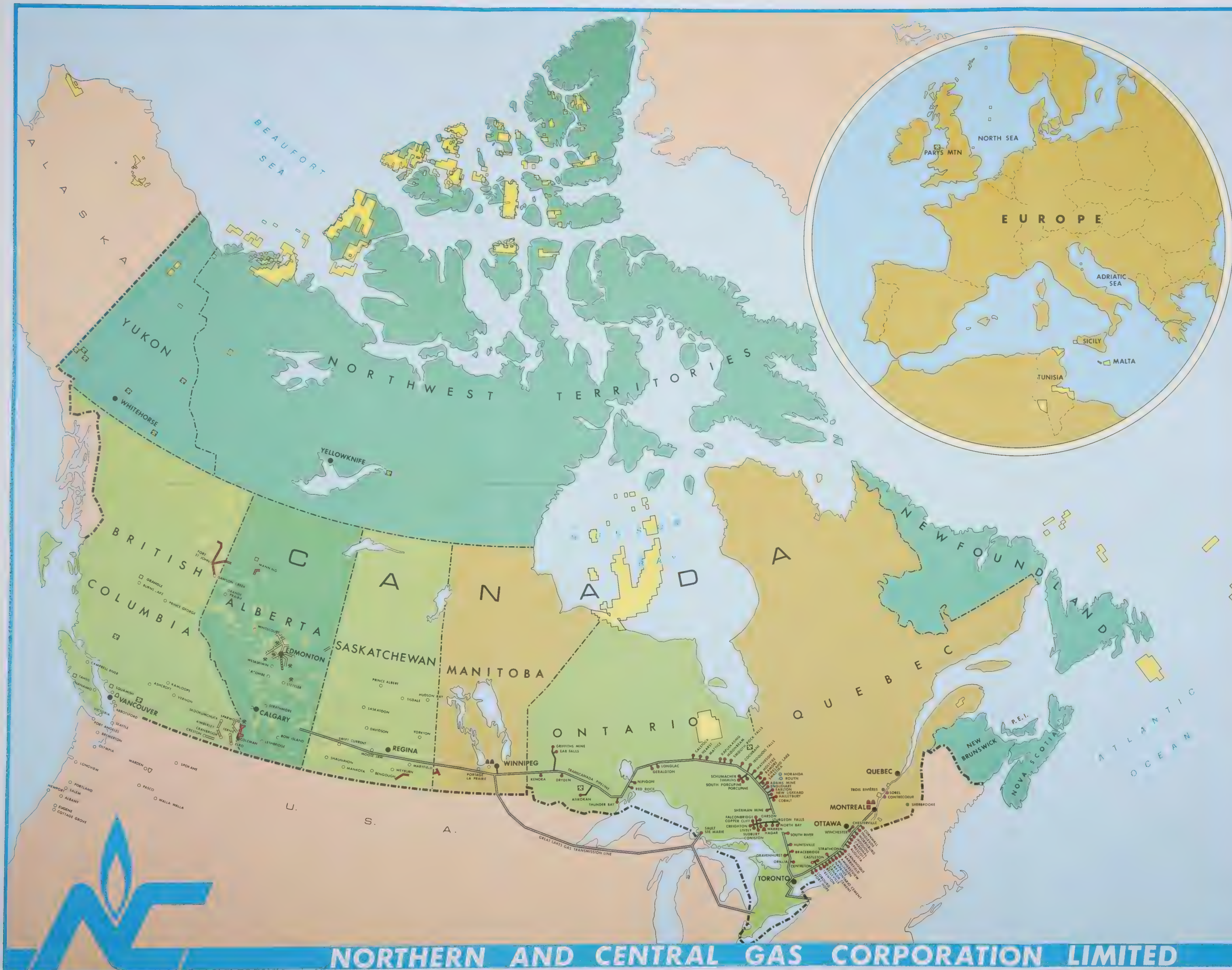




Distribution of Common Shares

December 31, 1972
of Northern and Central Gas Corporation Limited





CORPORATE STRUCTURE AND LEGEND

NORTHERN AND CENTRAL GAS CORPORATION LIMITED

OIL AND GAS PRODUCTION AND EXPLORATION

CANADIAN INDUSTRIAL GAS & OIL LTD.

- ACREAGE IN WHICH CIGOL AND ITS SUBSIDIARIES HAVE OIL AND GAS RIGHTS
- TOWNSHIPS IN WHICH CIGOL AND ITS SUBSIDIARIES HAVE OIL AND GAS RIGHTS
- CIGOL'S INDUSTRIAL GAS SYSTEM
- CIGOL'S OIL PIPELINE
- CIGOL'S LPG PLANT
- CIGOL'S MINERAL PROSPECTS
- CIGOL'S COAL PROSPECTS

CIGAS PRODUCTS LTD.

- SERVICE - SUPPLY DEPOSITS
- PROPANE DISTRIBUTION SYSTEM
- ABOVE GROUND STORAGE
- UNDER-GROUND STORAGE

TRANS-PAIRIE PIPELINES LTD.

- GAS PIPELINES
- OIL PIPELINES

COLUMBIA NATURAL GAS LIMITED

- COMMUNITIES SERVED
- GAS PIPELINES

PRAIRIE OIL ROYALTIES COMPANY, LTD.

ABASAND OILS LIMITED

WESTERN PROPANE INC.

NATURAL GAS UTILITIES

NGAS

- COMMUNITIES SERVED
- DISTRIBUTION NETWORK
- LNG TANKS

GREATER WINNIPEG GAS COMPANY

- COMMUNITIES SERVED
- DISTRIBUTION NETWORK
- LPG STORAGE

GAZ MÉTROPOLITAIN, INC.

- COMMUNITIES SERVED
- DISTRIBUTION NETWORK
- LNG PLANT
- LNG STORAGE
- COKEPLANT

GAZ DU QUÉBEC INC.

- GAS PIPELINE
- COMMUNITIES SERVED

LE GAZ PROVINCIAL DU NORD DE QUÉBEC LÉE

- COMMUNITIES SERVED

CHAMPION PIPE LINE CORPORATION LTD.

- GAS PIPELINES

COAL PRODUCTION

COLEMAN COLLIERIES LIMITED

- MINING AREA



NORTHERN AND CENTRAL GAS CORPORATION LIMITED



NORTHERN AND CENTRAL GAS CORPORATION LIMITED
4600 Toronto-Dominion Centre, Toronto, Ontario, Canada M5K 1E5

tion Board, upon the future earnings of Canadian gas distributors and in particular of the Company.

Phase one of the application for a rate increase by the Company's supplier of natural gas, TransCanada Pipe-Lines, has been completed in Ottawa. This phase determined the rate base and permitted an overall rate of return of 9%, including a return on equity in the range of 14% to 15%. Phase two, which will determine the price for natural gas to be paid by the gas distributors including the three principal utility operations of your Company, is in progress and is not expected to be completed until late in 1972. As soon as the new gas prices are known, the gas distributors will seek to recover the cost increases from their customers. Within the Company's utility operations, the 1971 rate hearing in Ontario has been held open, the Manitoba hearing was concluded in 1970, and the one in Quebec is currently in progress. As a result, an expeditious approval to recover the cost increases without full rate hearings procedure can reasonably be expected in each of the Company's utility service areas. As far as price effect on the market is concerned, we believe that the increased cost will not be a determining factor in the demand for natural gas assuming the increase is shared equitably between geographic zones.

Recent hearings in Alberta have adduced evidence relative to future pricing of natural gas at the wellhead. Your Company has participated in these hearings both as a producer through CIGOL and as a distributor. In our view higher prices are necessary to ensure the exploration and development of the as yet unproven but potential reserves of natural gas. At present Canadian proven reserves are estimated at 58 trillion cubic feet while potential reserves are estimated to be 700 trillion cubic feet. With present annual deliveries of two trillion cubic feet, there is currently no shortage of supply.

Energy in all its forms is going to cost the consumer more in the future and natural gas will be no exception. Natural gas prices will undoubtedly move upward for all consumers, residential, commercial and industrial. Its price, however, relative to other forms of energy is likely to remain in balance, though there may be some short term dislocation in market patterns. The high demand for natural gas will assuredly continue because of its superior qualities of efficiency, air pollution control and dependability of supply and service.

The management of your Company is therefore optimistic about the prospects for the natural gas industry in Canada and the favourable implications for your Company that the future holds.

C. Spencer Clark,

Chairman of the Board

Edmund C. Bovey,

President and
Chief Executive Officer

August 9, 1972.

AR18



NORTHERN AND CENTRAL GAS CORPORATION LIMITED

4600 Toronto-Dominion Centre,
Toronto 1, Ontario

PRINCIPAL OPERATING COMPANIES:

Alberta

Canadian Industrial Gas & Oil Ltd.
640 Eighth Avenue, S.W., Calgary 2
Coleman Collieries Limited
Coleman

Manitoba

Greater Winnipeg Gas Company
265 Notre Dame Avenue
Winnipeg R3B 1N9

Ontario

NCgas
150 Consumers Road, Willowdale 425
Ontario

Champion Pipe Line Corporation Limited

4600 Toronto-Dominion Centre
Toronto 1

Northern Ontario Acceptance Company Limited

4600 Toronto-Dominion Centre
Toronto 1

Quebec

Gaz Métropolitain, inc.
1717 du Havre St., Montreal 134

Gaz du Québec, inc.

1717 du Havre St., Montreal 134

Le Gaz Provincial du Nord de Québec Ltée

401 Richard Street, Rouyn

INTERIM REPORT June 30, 1972



NORTHERN AND CENTRAL GAS CORPORATION LIMITED



NORTHERN AND CENTRAL GAS CORPORATION LIMITED

To the Shareholders:

For the first six months of this year, revenues increased from \$104,102,000 in 1971 to \$117,393,000 in 1972.

Consolidated net income was \$11,953,000 compared to \$12,764,000 for the same period in 1971. Basic earnings per share were 80¢ compared to 86¢ for 1971.

Utility sales and other revenues increased to \$87,713,000 from \$84,023,000, reflecting higher volumes and continued upgrading of prices. Utility operations contributed \$9,864,000 or 82.5% to consolidated net income in 1972 compared to \$10,039,000 or 78.6% in 1971.

While costs have been substantially contained, a number of factors have adversely affected what would otherwise have been a significant earnings improvement over 1971. Among these have been: a weakened demand for coke and the absence of off-line sales of LNG (liquefied natural gas) due to the need to reserve LNG for peak shaving, a higher provision for income taxes

resulting from lower oil and gas exploration activity by Greater Winnipeg Gas, and a reduction in certain natural resource production by customers of NCGas.

It is not anticipated that these adverse factors will continue during the remainder of 1972. Utility earnings later in 1972 could materially improve with the approval of Gaz Métropolitain's rate increase application, currently before the Quebec Electricity and Gas Board, and with an upturn in natural resource production in northern Ontario.

CIGOL's contribution to consolidated net income increased from \$2,725,000 in 1971 to \$2,930,000 in 1972. CIGOL has recently entered into a farm-out arrangement to drill six exploratory test wells, thereby earning a 20% interest in approximately 161,000 acres of potential oil bearing lands on the Tuktoyaktuk Peninsula and the Atkinson Point of the Canadian Arctic coast.

Coleman Collieries Limited has initiated, this year, an extensive plan aimed at reducing operating costs and raising productivity. This program is now taking effect and should be reflected in improved results for the remainder of 1972. Results to date while disappointing, show a loss for the first half of 1972 of \$356,000, lower than the loss of \$525,000 in the comparable period in 1971. The world demand for good quality coking coal continues to increase and prices are higher, thus indicating the potential for Northern's investment in Coleman. Price negotiations with Coleman's principal customers have now commenced, which if successfully concluded, could result in a material improvement in earnings.

We have received a number of inquiries during the past months as to the probable effect of current hearings, both in Ottawa before the National Energy Board, and in Alberta before the Alberta Energy Resources Conserva-

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS (UNAUDITED)

(Thousands of Dollars)

Source of Funds	6 Months Ended June 30 1972	1971
From operations		
Consolidated net income	\$11,953	\$12,764
Charges not requiring funds (depreciation, depletion, amortization and minority interests)	12,460	11,673
	24,413	24,437
Increase (decrease) in minority interest	(124)	2,433
Issue of long-term debt	37,500	51,013
Issue of preference shares for cash	9	26
Issue of common shares for cash	(57)	1,033
Other items — net	61,741	78,942
	19,808	18,238
Application of Funds		
Net additions to property, plant and equipment	4,735	23,137
Decrease in bank loans	4,174	4,741
Retirement of long-term debt	4,023	3,936
Dividends on common shares	1,216	1,330
Dividends on preference shares	322	396
Redemption of preference shares	2,373	2,582
Financing expenses and other deferred charges	979	764
Increase in investments	13	85
Acquisition of shares of subsidiaries	37,643	55,209
	24,098	23,733
Increase in Working Capital Position		

COMPARATIVE STATEMENT OF INCOME (UNAUDITED)

(Thousands of Dollars)

	6 Months Ended June 30 1972	1971	12 Months Ended June 30 1972	1971
Revenues				
Sales and other revenues	\$117,393	\$104,102	\$206,194	\$182,482
Costs and Expenses				
Gas purchases	51,050	47,595	96,545	88,295
Operations and maintenance	23,653	15,243	39,910	28,788
Depreciation and depletion	9,675	8,887	17,700	16,309
Taxes other than income taxes	2,886	2,779	5,444	5,209
Interest	12,802	11,899	25,061	22,774
Income taxes	2,340	2,149	909	619
	102,406	88,552	185,569	161,994
Income before minority interests	14,987	15,550	20,625	20,488
Minority interests in subsidiaries	456	475	913	1,002
Preference share dividends	2,578	2,311	4,665	3,519
Common share earnings	3,034	2,766	5,578	4,521
	11,953	12,764	15,047	15,967
Consolidated Net Income	1,216	1,330	2,515	2,682
Dividends on Preference Shares				
Net Income Applicable to Common Shares	\$ 10,737	\$ 11,434	\$ 12,532	\$ 13,285
Earnings per Share				
basic	\$.80	\$.86	\$.94	\$.99
fully diluted	\$.74	\$.78	\$.92	\$.95